Teachers' Pension Plan

2010 REPORT TO MEMBERS

support sustainability secure stewardship service

Fund performance bounces back

see inside for details

Disclaimer

The information in this report is based on the legislation and Teachers' Pension Plan rules except where otherwise noted.

In the event of any variation between the information in this report and the provisions of the statutes, regulations and plan rules which govern any benefits available under the Teachers' Pension Plan, the latter will prevail.

Trustees' Message

2010 – a successful year to close out a successful decade

The Teachers' Pension Board of Trustees is pleased to report we've had a successful 2010 on several fronts. Among our most notable accomplishments are the continued recovery of our investment funds from 2008, progress in finalizing the details of your new voluntary extended health care plan, securing a guarantee of dental plan premiums at today's rates to December 2013, and continued action on our commitment to socially responsible investing.

Your trustees remain committed to transparency and good governance. For example, in 2010 we submitted the service and plan design requirements for the plan's extended health care to open tender.

Retirees will have access to new, voluntary extended health care coverage, effective January 1, 2012, that will provide improved coverage at the best available rates. This switch to unsubsidized, voluntary group benefits is one of a series of changes that will strengthen our ability to provide cost-of-living adjustments to retired members' pensions into the future.

In terms of our investment strategy and fund portfolio mix, our long-term approach to investing, combined with our change to the asset mix based on our most recent review, positions us well for future potential growth.

Through the activities of its investment agent, the board encourages the companies in which we invest to adopt high standards of corporate governance and environmental and social responsibility. This is supported by well documented policies and principles and is accomplished mainly through engagement. Engagement means making private contact with companies to state concerns and propose solutions, working with coalitions of like-minded investors, voting the proxies for hundreds of companies and lobbying for reform.

Our investment agent, the British Columbia Investment Management Corporation (bcIMC), is an early signatory to the UN Principles for

Responsible Investment and is considered a leader in the field of socially responsible investing. The results of responsible investing initiatives are reported in detail on the Teachers' Pension Plan website at **tpp.pensionsbc.ca** and the bcIMC website at **bcimc.com**.

The board's approach to socially responsible investing is aligned with its legal and fiduciary duties, including compliance with the *Pension Benefits Standards Act*. The act requires BC pension plan investments to be made in the best financial interests of plan members and beneficiaries.

There is a growing belief that good corporate governance and social and environmental responsibility can be material to investment returns. In cases where engagement efforts fail to resolve the financial or reputational risks posed by a company's policies or activities and it is determined that continued investment is not in the best interests of plan members and beneficiaries, divestment is considered. In 2010, with the support of the

How the Teachers' Pension Plan is governed

The Teachers' Pension Plan is jointly trusteed and is governed by a joint trust agreement, which is available under Board Publications on the plan's website, **tpp.pensionsbc.ca**.

Joint trusteeship is the shared management of the pension plan by appointees of the plan partners. The plan partners are the BC Teachers' Federation and the provincial government. The partners are responsible for appointing the board of trustees.

The Teachers' Pension Board of Trustees is responsible for managing the pension plan. The board may change the plan rules if they are directed to do so by the plan partners and certain conditions are met. The board can also amend the pension plan rules as long as the changes can be funded by pension fund surpluses or are cost-neutral to the plan. The joint trust agreement sets out conditions for the board to follow in implementing certain changes.

board and its other clients, bcIMC divested its pooled funds of companies that do not comply with international treaties signed by Canada prohibiting the development, manufacture and distribution of landmines and cluster munitions.

Your basic pension is secure and your future pension benefit is guaranteed. This is a primary benefit of belonging to a defined benefit pension plan. We encourage you to review the rest of this report, which is full of valuable information.

Teachers' Pension Board of Trustees

as of December 31, 2010

Joan Axford, Chair

Gerry Tiede, Vice Chair

Victor Barwin

Reg Bawa

Joann Cain

Wayne Jefferson

Dale Lauber

Carolyn Prellwitz

Ken Tannar

Linda Watson

Plan Updates

New, enhanced opportunities to transfer service

The Teachers' Pension Board of Trustees decided in 2010 to replace the BC Public Sector Transfer Agreement (PSTA) with the National Public Service Pension Transfer Agreement (NTA) for transfers among the College, Municipal, Public Service and Teachers' pension plans.

Both agreements use similar calculation methods. However, the NTA has different and more flexible eligibility dates for members. Under the NTA, a member of the Teachers' Pension Plan must apply to transfer service from a former plan either before they terminate their employment or before they retire.

What this means for you: If you missed an application deadline or were previously told you were not eligible to transfer service under one of the transfer agreements, you might now be eligible to transfer your service to the Teachers' Pension Plan. Please contact the Teachers' Pension Plan at your earliest opportunity if you have questions about transferring service.

Contribution rate increase to the Basic Account (members and employers)

Amendment 16 – Effective July 1, 2010

The plan actuary recommended a contribution rate increase in the December 31, 2008 actuarial valuation report for the plan. The contribution rates for plan members and employers increased by 1.04 per cent of salary each.

What this means for you: Your contributions, your employer's contributions and income made from investing those contributions fund the pension promise over time. Increased contributions ensure the plan will be able to provide your basic pension benefit.

Contribution rate increase to the Inflation Adjustment Account (members)

Amendment 17 – Effective July 1, 2010

Member contributions to the inflation adjustment account increased by one per cent of salary as a result of an agreement reached by the plan partners to improve the sustainability of cost-of-living adjustments.

What this means for you: Cost-of-living adjustments are not guaranteed and are paid for out of the inflation adjustment account. This account is funded by member and employer contributions as well as income earned from investing those contributions over time. Increased contributions will help strengthen the plan's ability to provide cost-of-living adjustments in the future.

Contribution rates effective July 1, 2010

	Basic Account		Inflation Adjustment Account
	Salaries up to the YMPE*	Salaries over the YMPE*	All Salaries
Member	8.20%	9.70%	3.0%
Employer	12.20%	13.70%	1.13%

* Year's Maximum Pensionable Earnings is the earnings on which you make Canada Pension Plan contributions. The 2010 YMPE was $47,200. The 2011 YMPE is $48,300.

Financial Health

Every three years, an independent actuary assesses the financial health of the plan's basic account and determines whether contribution rates are adequate for funding the plan. The 2008 actuarial report for the Teachers' Pension Plan showed that, as at December 31, 2008, the plan had an unfunded liability for basic pension benefits of $291 million.

As a result, plan member and employer contributions increased by 1.04 per cent of salaries each on July 1, 2010 to pay down this unfunded liability. This was in addition to a separate one per cent contribution rate increase to active members, also effective July 1, 2010, to help strengthen the sustainability of cost-of-living adjustments on retired members' pensions.

The next valuation will be as at December 31, 2011, with the results available for the *2012 Report to Members*.

Investment Asset Mix and Performance

Year ended December 31, 2010

	Approved Range (%)	Target Asset Mix Market Value (%)	Actual Asset Mix Market Value (%)	Rate of Return (%)	Performance Benchmark** (%)
Short-term	0-10	2	2.5	1.6	0.5
Mortgages	0-11	6	5.1	7.3	4.0
Nominal Bonds	10-25	17	16.5	7.5	6.7
Real Return Bonds	0-10	5	5.6	11.0	11.1
Fixed Income Subtototal	**20-40**	**30**	**29.7**		
Canadian Equities	7-22	15	17.0	17.2	16.9
Global Equities*	12-32	24	22.5	n/a	5.9
Emerging Markets Equities*	0-10	5	6.7	n/a	12.7
Public Equity Subtotoal	**30-55**	**44**	**46.2**		
Real Estate	10-20	15	13.7	8.2	6.4
Real Estate Subtotal	**10-20**	**15**	**13.7**		
Private Placements	0-12	5	5.0	***	***
Strategic Investments and Infrastructure	0-12	6	5.4	***	***
Private Placements and SIIF Subtototal	**5-24**	**11**	**10.4**		
Total Asset Mix			**100.0**		

* The Global mandate and new strategic asset mix was implemented on October 1, 2010. As a result annual rates of return for these asset classes are not available.

** Benchmarks are standards to compare against investment returns

*** Annual rate of return not applicable

Financial Health continued...

The Teachers' Pension Plan holds a diversified portfolio of investments that permits prudent management of risk and good long-term investment returns. The following is a summary of the plan's investments, investment performance and financial statement highlights.

Investment Performance

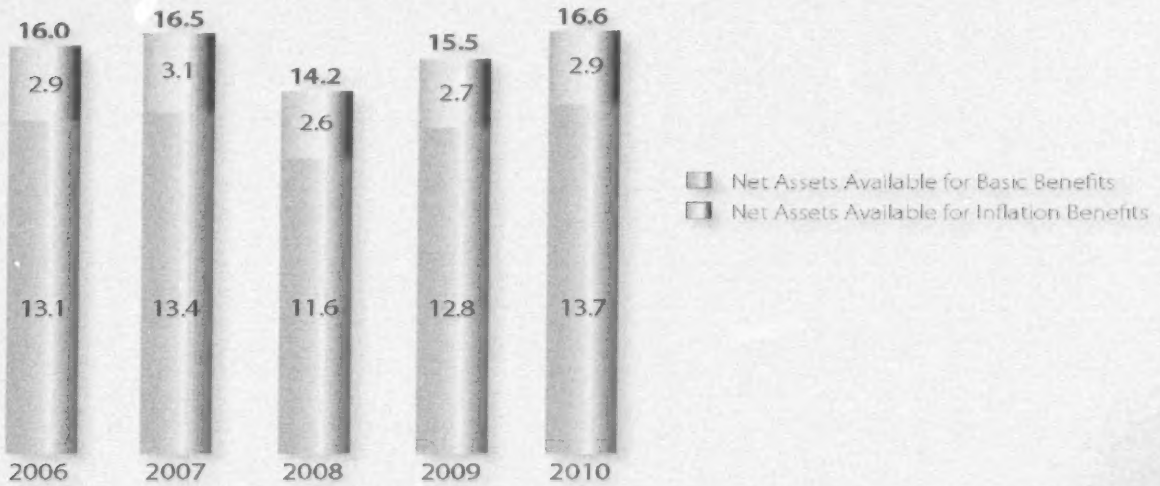
	Performance Benchmarks*	Actual December 31	
	2010	2010	2009
		(unaudited)	
Market Value ($ billions)		**$16.8**	$15.4
Market Value Rates of Return**			
Total Portfolio			
Annual	**8.8%**	**9.6%**	11.2%
Five–year Annualized	**5.1%**	**5.1%**	5.8%

* Benchmarks are standards to compare against investment returns

** The Basic and Inflation Adjustment portfolios were merged into one portfolio as at January 1, 2010. Prior to this date , investment returns refer to Basic Account only.

Net Assets Available for Benefits

as at December 31



Financial Health continued...

Financial Statement Highlights

Year ended December 31

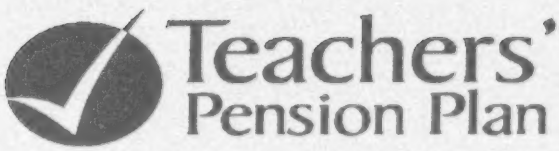
	2010	2009
	$ Millions	
	(unaudited)	
Net Assets—Beginning of Year	**$15,458**	$14,181
Investment Income	**1,465**	1,553
Contributions	**635**	592
Benefit Payments	**(881)**	(842)
Investment and Administration Costs*	**(28)**	(26)
Net Assets—End of Year	**$16,649**	$15,458

* See footnote, Investment and Administration Costs, below.

Investment and Administration Costs as a Percentage of Net Assets*

	2010	2009	2008	2007	2006
Investment Management*	**0.16%**	0.15%	0.20%	0.26%	0.20%
Benefits Administration	**0.06%**	0.06%	0.06%	0.05%	0.05%

* External investment management costs of $7.5 million incurred in the investment pooled funds by wholly owned corporations reduce investment income and are not included in investment and administration costs. They are included in investment management costs as a percentage of net assets. (Prior years' costs: 2009—$6.6 million; 2008—$9.1 million; 2007—$16.0 million; 2006 —$13.8 million)



Teachers' Pension Board of Trustees

Our Mission Statement

"To fulfill the trust the Partners have placed on us by efficiently meeting or exceeding the pension promise made to plan members."

Phone:

Victoria	250 953-3022
Toll-free in BC	1 800 665-6770

Fax: 250 356-8977

E-mail: TPP@pensionsbc.ca

Mailing Address:
Teachers' Pension Plan
PO Box 9460
Victoria BC V8W 9V8

Web: tpp.pensionsbc.ca

2004-061 TPP RTM 2011.04.26 QPR103231